

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 PM-04 AID-05 SS-15 H-01 L-03 EB-07  
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P R 311521Z MAY 77  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC PRIORITY 5601  
INFO AMEMBASSY TEL AVIV

C O N F I D E N T I A L CAIRO 9050

E.O. 11652: GDS  
TAGS: ENRG EG US  
SUBJ: US/EGYPTIAN NUCLEAR COOPERATION AGREEMENT

REF: CAIRO 7029

1. IN THE TEN MONTHS SINCE US/EGYPTIAN NUCLEAR COOPERATION AGREEMENT WAS INITIALLED, GOE HAS GROWN INCREASINGLY APPREHENSIVE OVER DELAYS IN FINAL APPROVAL. WHEN PLANS BY PREVIOUS ADMINISTRATION TO SUBMIT EGYPTIAN AND ISRAELI AGREEMENTS TO CONGRESS BEFORE ELECTION RECESS EVAPORATED, GOE EAGERLY ACCEPTED PROJECTIONS THAT NEW ADMINISTRATION WOULD HAVE TO REVIEW, BUT ALSO PROBABLY WOULD PROMPTLY APPROVE THEM, AND SUBMIT THEM TO CONGRESS. IN MEANTIME GOE HAS GONE AHEAD WITH ITS NEGOTIATIONS WITH WESTINGHOUSE, ITS CHOICE AS POWER REACTOR SUPPLIER, AND IS CLOSE TO CONCLUDING CONTRACT. GOE UNEASINESS HAS INCREASED IN PAST FEW MONTHS AS OUR CONTINUED DELAY HAS CAUSED WESTINGHOUSE TO PROTECT ITSELF WITH STEADILY INCREASING COST ESTIMATES. WE ASSUME GOE CONCERNS WERE EXPRESSED TO US REPS AT SALZBURG MEETING IN MAY (SEE REFTEL).

2. LATEST EXPRESSION OF THIS INCREASING CONCERN IS LETTER FROM DEPPRIMMIN AND MINELECTRICITY AND ENERGY AHMED SULTAN  
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TO AMBASSADOR DATED MAY 29, 1977 (FULL TEXT FOLLOWS:

QUOTE

EXCELLENCY:

I WISH TO BRING TO YOUR KNOWLEDGE THAT I ATTENDED WITH MY DELEGATION THE RECENT CONFERENCE ON NUCLEAR POWER IN SALZBURG, AUSTRIA. I TOOK NOTE AT THE CONFERENCE OF THE

NEW POLICIES OF THE UNITED STATES WITH REGARDS TO NUCLEAR EXPORTS.

I HAVE CONSIDERED THESE NEW POLICIES CAREFULLY IN CONNECTION WITH THE BILATERAL NUCLEAR COOPERATION AGREEMENT WHICH OUR TWO COUNTRIES HAVE BEEN NEGOTIATING DURING THE PAST YEARS. AS YOU KNOW, WE ACCEPTED THE TERMS OF THIS AGREEMENT DURING THE PREVIOUS UNITED STATES ADMINISTRATION AND HAVE BEEN MOVING AHEAD TO CONCLUDE THE PURCHASE OF A 600 MWE NUCLEAR POWER PLANT FROM THE UNITED STATES.

IT IS MY FIRM BELIEF THAT THE TERMS OF THE PROPOSED BILATERAL AGREEMENT, AS THEY STAND, COMPLY FULLY WITH PRESIDENT CARTER'S NEW POLICIES, AS WELL AS , THOSE OF THE ARAB REPUBLIC OF EGYPT'S BELIEF THAT NUCLEAR POWER PROGRAM IN ALL COUNTRIES SHOULD BE APPLIED FOR PEACEFUL PURPOSES. WE HAVE ALREADY ASSURED THE UNITED STATES GOVERNMENT EMPHATICALLY THAT NUCLEAR POWER PROGRAMS IN ALL COUNTRIES SHOULD BE APPLIED SOLELY FOR PEACEFUL PURPOSES, AND WE REITERATED THAT SAME POLICY TO THE SENATORIAL GROUP WHICH VISITED EGYPT LATE LAST YEAR.

WE ARE PREPARED TO RATIFY THE NPT, OR TO PUT ALL OUR EXISTING HUNDRED FUTURE NUCLEAR FACILITIES , AS WELL AS, FUEL UNDER IAEA SAFEGUARDS, ALSO TO PROVIDE SPECIAL BILATERAL SAFEGUARDING RIGHTS TO THE UNITED STATES ON NUCLEAR FUEL AND FACILITIES SUPPLIED BY THE UNITED STATES AS SPECIFIED IN THE BILATERAL NUCLEAR COOPERATION AGREEMENT INITIALED BY BOTH OUR TWO COUNTRIES IN AUGUST 1976, BEARING IN MIND THAT ISRAEL WILL UNDERTAKE SIMULTANEOUSLY THE SAME IDENTICAL MEASURES IN ALL THESE ASPECTS.

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IN MARCH 1976, THE MINISTRY OF ELECTRIC POWER AND ENERGY SENT A LETTER OF INTENT FOR A 600 MWE NUCLEAR POWER STATION TO THE WESTINGHOUSE ELECTRIC CORPORATION. SO FAR, EXCELLENT PROGRESS HAS BEEN WITH WESTINGHOUSE IN OUR COMMERCIAL NEGOTIATIONS. I HAVE DIRECTED THAT THE NEGOTIATION BE BROUGHT TO A MUTUALLY SATISFACTORY CONCLUSION IN THE FORM OF A CONTRACT DURING THE COMING FEW WEEKS.

TIME, AS YOU ARE WELL AWARE, IS EXTREMELY IMPORTANT. YOU WILL APPRECIATE THAT EVERY MONTH OF DELAY ADDS A SUBSTANTIAL COST INCREASE TO THE PROJECT AS WELL AS A CONSIDERABLE DELAY IN COMPLETING OUR ELECTRICAL ENERGY PLAN. THIS, UNDOUBTABLY, WILL HAVE A SEVERE IMPACT ON OUR ECONOMICAL SITUATION.

WE FEEL SURE THAT YOUR GOVERNMENT UNDERSTANDS THIS PROBLEM AND SHARES OUR CONCERN THAT WE SHOULD NOT BE CONFRONTED WITH ADDITIONAL FINANCIAL BURDEN DUE TO DELAYS WHICH SHOULD BE KEPT AS SMALL AS POSSIBLE. THE DECISION TO PROCEED NOW RESTS ENTIRELY IN THE HANDS OF THE UNITED

STATES GOVERNMENT.

I WOULD THEREFORE ASK YOUR EXCELLENCY, TO REQUEST YOUR GOVERNMENT TO PROCEED WITH THE NECESSARY, AND APPROPRIATE ACTIONS TO ENABLE WESTINGHOUSE TO ACCEPT OUR AWARD, AND TO PROCEED AS SOON AS POSSIBLE WITH THE IMPLEMENTATION OF THE PROJECT.

KINDLY ACCEPT, EXCELLENCY, THE ASSURANCE OF MY HIGHEST CONSIDERATION.

(SIGNED) AHMED SULTAN

DEPUTY PREMIER FOR PRODUCTION AND

MINISTER FOR ELECTRIC POWER AND ENERGY

UNQUOTE

3. ADMITTEDLY EGYPTIAN DILEMMA IS MOSTLY OF THEIR OWN MAKING. GOE TOOK DECISION TO BEGIN TWO YEARS AGO TO NEGOTIATE CONTRACT WITH WESTINGHOUSE IN ADVANCE OF ACTUAL COOPERATION AGREEMENT'S FINALIZATION. THEIR HOPES WERE CONFIDENTIAL

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NEVERTHELESS FUELED BY OUR HURRY UP PUSH IN JUNE/JULY 1976 TO CONCLUDE IDENTICAL AGREEMENTS WITH EGYPT AND ISRAEL IN WHICH EGYPTIANS (AND WE ASSUME ISRAELIS) ACCEPTED MOST ADVANCED SAFEGUARDS EVER WRITTEN, WITH HOPE THAT AGREEMENT WOULD BE IN EFFECT BEFORE YEAR'S END. EGYPTIAN ACCEPTANCE OF SAFEGUARDS WAS FULLY CONSISTENT WITH THEIR PREVIOUS POSITIONS AND DESIRE TO USE NUCLEAR POWER TECHNOLOGY SOLELY FOR ECONOMIC DEVELOPMENT PURPOSES. EGYPTIANS HAVE ALSO BEEN TOLD THAT BOTH EGYPTIAN AND ISRAELI AGREEMENTS MUST PROCEED MOST LIKELY TOGETHER AND THEY HAVE ACCEPTED THAT LINKAGE.

4. IN THESE CIRCUMSTANCES BELIEVE WE OWE EGYPTIANS CANDID DESCRIPTION OF OUR CURRENT THINKING ON FUTURE OF US/EGYPTIAN NUCLEAR COOPERATION AGREEMENT. WITHOUT COMMITTING OURSELVES TO TIMETABLE, BELIEVE WE SHOULD GIVE THEM REALISTIC APPRAISAL OF POSSIBLE AMENDMENTS TO AGREEMENT (WHICH WE ASSUME WILL BE NECESSARY IN LIGHT OF PRESIDENT'S NUCLEAR POLICY GUIDELINES) AND HOW LONG PROCESS MIGHT TAKE. AT THIS POINT BELIEVE A CANDID ANSWER, EVEN IF IT IS NOT ENCOURAGING FOR SHORT TERM, WILL BEST SERVE OUR LONG TERM INTERESTS HERE. VEHICLE FOR THIS, WE BELIEVE, WOULD BE LETTER FROM AMBASSADOR TO SULTAN. PLEASE ADVISE.  
EILTS

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## Message Attributes

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